legislative proposals for revision of the Companies Act, 1956, which would *inter alia,* address the issues relating to audit of Government companies and PSUs in an efficient manner.

Misuse of Export Promotion Schemes

2187. SHRI NANDI YELLAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether certain import and export companies, which exist only on documents, have cheated Government to the tune of several crores of rupees by misusing Export Promotion Scheme;

(b) if so, the details thereof and action taken so far against such Export and Import companies;

(c) whether it is a fact that some officials of Customs Department are also involved in this racket;

(d) if so, the details thereof including the number of Customs officers facing charges and the details of action taken against them, State-wise; and

(e) the remedial measures implemented so far to prevent such fradulent practices in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (e) 377 cases of evasion of duty through misuse of export promotion schemes by import and export companies which exist only on documents have been detected by the various agencies during 2002-03, 2003-04, 2004-05 and 2005-06 (upto October, 2005) in various States. Out of these, in 170 cases, show cause notices (SCNs) have been issued and the same are at the various stages of adjudication, appeals etc. In 207 cases, show cause notices have not been issued, as the investigations are yet to be completed. 76 persons have been arrested and 12 persons have been detained under COFEPOSA.

Changes in the policy and amendments in the relevant Acts are made from time to time to prevent misuse of export promotion schemes. In fact, there are inbuilt safeguards in the schemes to prevent their misuse. Some of these are as follows:—

(i) Licences issued under Advance Licensing Scheme are subject to actual user condition and are non-transferable.

(ii) Capital goods imported under Export Promotion Capital Goods Scheme are subject to actual user condition till the fulfillment of export obligation.

(iii) In the case of specified export items of sensitive nature under Duty Fee Replenishment Certificate Scheme the exporter is required to give declaration with regard to technical characteristics, quality and specification of the product in the Shipping Bill. This has been done to ensure that the inputs to be imported under the scheme have nexus with the goods exported.

(iv) Value caps have been fixed for various export items under the Duty Entitlement Passbook Scheme to help prevent misuse by over-invoicing. In respect of products where the credit entitlement is 10% or more, the amount of credit is restricted to 50% of the Present Market Value (PMV).

(v) Although All Industry Rates of Drawback for most of the products have been expressed in *ad valorem* terms, drawback caps have been imposed in almost all cases to preclude the possibility of misuse through over-invoicing.

State-wise details of action taken against the officers for their acts of omission and commossion resulting in misuse of export promotion schemes by such companies are as detailed below:—

State	Year	Scheme	Action Taken
1	2	3	4
Maharashtra	2003-04	DEPB	3 officers were issued with SCNs and disciplinary action is proposed.
Delhi	2003-04	DRAWBACK	9 officers were involved and SCNs issued to all of them. Two officers were arrested and prosecution was launched

1	2	3	4
			against one officer. Two officers were placed under suspension.
	2004-05	DEPB	7 officers were involved and SCNs were issued to all of them.
Others	2002-03	EOU	4 officers were involved. Disciplinary proceedings were recommended.
	2003-04	DEEC	One officer was suspended and charge sheet issued.
	2004-05	EOU	CBI registered cases against two officers.
	2005-06	EOU	Two officers were suspended.

Apart from the safeguards provided in the Schemes, other monitoring and checking procedures adopted to prevent their misuse are:—

(i) The Directorate General of Foreign Trade (DGFT) is informed and requested to cancel Importer-Exporter Code number (IEC) of the fraudulent companies.

(ii) Steps are taken to freeze the bank accounts of the fraudulent companies in cases of misuse of drawback scheme and the bank in whch drawback was credited is requested to remit the amount to government account.

(iii) Efforts are taken to identify and locate the persons associated with the fraudulent companies and those involved are arrested and detained.

(iv) Steps are taken to recover the customs duty sought to be evaded by issue of show cause notice and launching of adjudication proceedings.

(v) Alerts are issued by DRI to field formations about fraudulent companies and *modus operandi* adopted.

(vi) Enhancing the effectiveness of intelligence-based checks by DRI.

(vii) Special targeting of risk-prone commodities and exporters for critical examination of the goods/declarations.

(viii) Critical verification of market value of export goods.

(ix) Parameter-based selection of export consignments for examination and scrutiny. Higher examination norms for goods exported to sensitive destinations.

(x) Meetings are held at regular intervals for exchange of information among the various intelligence agencies.

(xi) DGFT is monitoring any misuse of scheme by way of inspections, regular monitoring of Denied Entry List (DEL) and by various checks and balances at various levels.

Resurfacing of vanished companies

2188. SHRI NANDI YELLAIAH: Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether the Government have removed the names of 107 companies from the original list of 229 companies identified as vanished which later on resurfaced;

(b) if so, the details thereof including total amount involved through shares and whether they re-surfaced as new companies by changing their original names; and

(c) the details of remedial measures already taken and proposed to be taken to curb such menace to economy by such companies which create a breach of trust of domestic investors who invested huge amounts on shares of such companies?

THE MINISTER OF STATE OF THE MINISTRY OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA): (a) and (b) Yes, Sir. As per the criteria adopted 229 companies were originally identified as vanishing companies, out of which 115 companies, having issue size of approximately Rs. 480 crore have been deleted from the list of vanishing companies, as these companies were found to be outside the criteria